

SPECIAL NOTICE

April 19, 2004

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342
Teletype 1-800-451-7985

Grants for Salmon Restoration — Tax Change

Engrossed House Bill (EHB) 2968 (Chapter 241, Laws of 2004), allows a business and occupation (B&O) tax deduction for grants received by nonprofit organizations to support salmon restoration. Prior to the law change, such grants were taxable if the grantor received services or benefits in return for the grant. The effective date of the bill is **March 31, 2004**.

The tax deduction applies to grants received:

- ◆ By a nonprofit organization (see definition below);
- ◆ From the United States, or any instrumentality of the United States, the state of Washington, or any municipal corporation or political subdivision of the state;
- ◆ For the support of salmon restoration.

A nonprofit organization means:

1. An organization exempt from tax under section 501(c) (3), (4), or (10) of the federal internal revenue code;
2. A nonprofit organization that would qualify under (1) above except that it is not organized as a nonprofit corporation; or
3. A nonprofit organization meeting all of the following criteria: (a) members, stockholders, officers, directors, or trustees of the organization do not receive any part of the organization's gross income, except as payment for services rendered, (b) compensation received by any person for services rendered does not exceed a reasonable amount, and (c) activities of the organization do not include a substantial amount of political activity.

How is the Deduction Taken on the Combined Excise Tax Return?

Deductions for qualifying grants should be taken under the "other" category on the deduction detail sheet of the excise tax return. It should be explained as "for salmon restoration."

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.